

The Challenge of Leadership

General Motors
of Canada Limited

1987 in Review



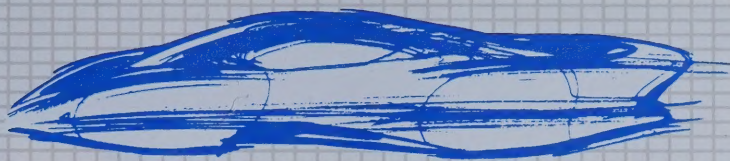


EXIT

Do Not Start
Engine Before
This Point



Teamwork
AND TECHNOLOGY



Dear GM shareholder:

Please find enclosed your personal copy of our 1987 Annual Report "The Challenge of Leadership". In it you will find information about the financial and operating performance of GM of Canada and about our key business strategies for the future.

You will also see portrayed the character, personality and values of our company, illustrated through profiles of representative GM of Canada people who are contributing with enthusiasm and dedication to the success of the organizational effectiveness, advanced technology and business systems which GM is making.

In order to share our pride with Canadians, we are planning to hold a major exhibition entitled "Teamwork and Technology" at the Metro Convention Centre in Toronto this June. The exhibition will offer visitors an outstanding opportunity to see and experience first-hand a range of impressive technological exhibits, exciting concept vehicles for the next decade, and working displays of advanced manufacturing techniques and systems drawn from our plants in Canada. The exhibits will be presented by the GM people from our plants and staffs who work with them every day. A number of outstanding products from our current lineup will also be on display, demonstrating to our guests that GM is ready to compete right now with the best the competition has to offer.

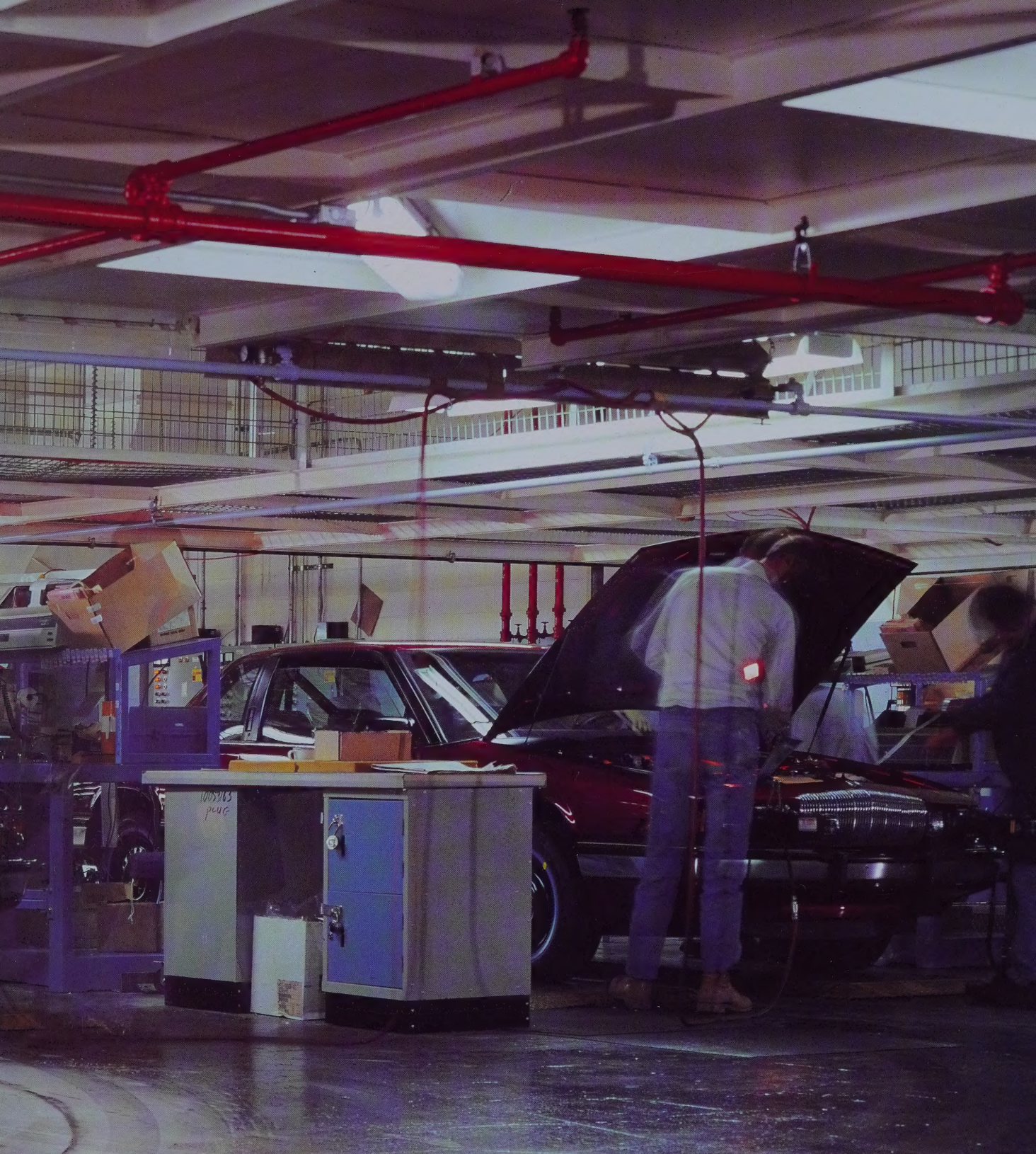
As a General Motors shareholder, you have a direct interest in the success of our business strategies. Teamwork and Technology is a tremendous way for you to judge for yourself just how we are doing.

Enclosed are two admission tickets to the program for June 29. I look forward to seeing you there.

Yours sincerely,

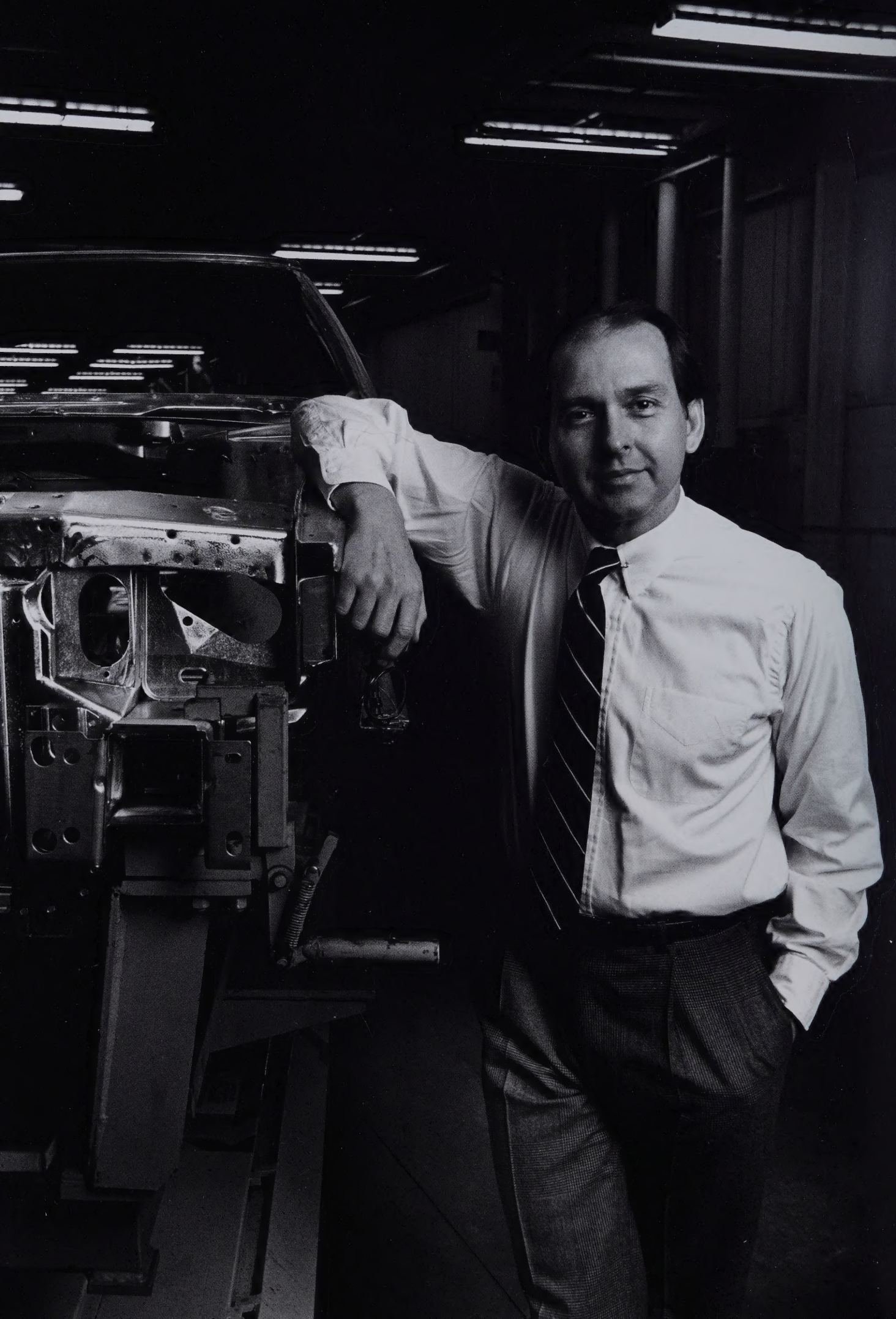
A handwritten signature in blue ink, which appears to read 'G.A. Peapples'.

G.A. Peapples
President &
General Manager



Cover: A new day dawns
at Oshawa's GM Autoplex,
the largest single automotive
manufacturing complex in
North America.

Inside Cover: The Buick Regal,
built with pride exclusively by
the people of General Motors
of Canada.



President's Message

1987 was a significant year of transition for GM of Canada, as we undertook a number of important initiatives to improve our position in the intense competitive environment facing the automotive industry. We continued to make progress in our strategy of facilities modernization and technological advancement at GM Autoplex in Oshawa, and at other plant locations across Canada. This aggressive investment program represents the most extensive re-industrialization in Canadian manufacturing history, as we continue to put in place the key building blocks of our competitive strategy for the future.

During the first quarter of the year, the Oshawa No. 2 car assembly plant underwent a complete renovation and was converted to production of the all-new Buick Regal. The Ste-Thérèse plant was converted to production of the Chevrolet Celebrity and Oldsmobile Cutlass Ciera. These changes resulted in extensive downtime at both facilities.

Initial production at these two plants, as well as at the newly expanded Oshawa truck plant, was limited due to the planned gradual acceleration of production which ensures that high quality levels are achieved from the outset. In addition, GM of Canada's two other assembly facilities, the Oshawa No. 1 car plant and the Scarborough van plant, experienced shift reductions during the year.

As a result, total factory sales fell from 724,000 units in 1986 to 577,400 units in 1987. These volume reductions and resulting losses in export sales to the U.S., combined with \$930 million in capital spending related to our extensive plant conversions and new model introductions, contributed to a decline in total revenue to \$16.9 billion for the year from \$18.5 billion in 1986. Net income of \$5 million in 1987 was down from \$418 million in the prior year.

In the Canadian market, continued strong consumer spending in 1987 sustained a steady pace in motor vehicle sales. Total industry retail sales were 1,529,000 cars and trucks, up 1% or 13,000 units from 1986. Passenger car sales of 1,065,000 were down 2.8% or 31,000 units for the year, while truck sales were up 10.5% or 44,000 units to a record level of 463,000.

GM of Canada dealers delivered a total of 537,000 vehicles in 1987, a decrease of 16,300 units or 2.9% from 1986. While passenger car sales declined 5.6%, from 402,000 units in 1986 to 379,000 in 1987, truck sales of 158,000 were up 4.2% or 6,300 units from the prior year, marking the fifth consecutive year of growth.

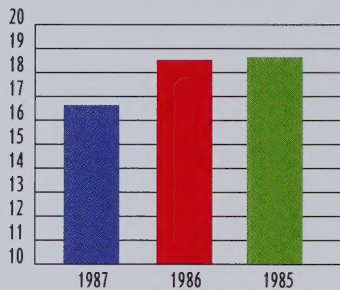
In 1987 GM of Canada introduced a number of exciting new products in the marketplace, which we are confident will help us to further improve our competitive position in the coming years. The compact Chevrolet Corsica and Beretta and Pontiac Tempest were introduced in the spring of the



The 1988 Buick Regal

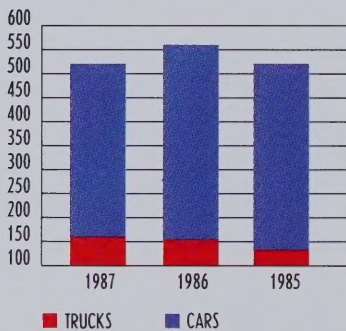
Net Sales

(Billions of dollars)



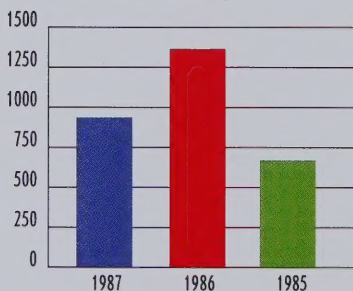
Unit Sales in Canada

(Thousands)



Investments

(Millions of dollars)



year and have achieved very strong sales in this important segment of the Canadian market. Another outstanding GM vehicle, the Pontiac Bonneville, was named "Best Car of the Year" for 1987 by the Automotive Journalists Association of Canada. In September, the Buick Regal was introduced. The Regal, built exclusively in Oshawa, is the first of a new generation of mid-size passenger cars for General Motors, and is setting new standards of excellence in quality and customer appeal. The Regal has now been joined by the Oldsmobile Cutlass Supreme and the Pontiac Grand Prix... Motor Trend Magazine's "Car of the Year". We look forward to outstanding success with these fine vehicles, and many others which will be introduced in the near future.

The past year was marked by several key events which will have an important impact on the company's operations in the years ahead. The collective agreement which we negotiated with the Canadian Auto Workers Union contained several important innovations, including the explicit recognition of both parties that consistent, joint action in the pursuit of improved product quality and greater operational flexibility will be critical to our success. We also continue to make progress at CAMI Automotive Inc., our joint venture with Suzuki. Construction of the plant in Ingersoll, Ontario is well underway, and CAMI is now preparing to hire and train two thousand employees who will soon be building high quality passenger cars and sport utility vehicles for the North American market. We also launched an entirely new marketing organization last year, Passport International Automobiles. Passport is a fresh and exciting new approach to the business of selling automobiles in a tough competitive environment. Another significant event was the conclusion of negotiations for a new free trade agreement by the governments of Canada and the United States. For GM of

Canada, the agreement is particularly important. It maintains the Auto Pact, recognizing the contributions which we have made under the Pact over the years, and it will help to stabilize Canada's most important trading relationship for the longer term.

A number of important steps were taken in 1987 to ensure that our organization responds effectively to the unique needs of the Canadian environment. One of the most significant of these was the addition to our Board of Directors of three new members from the Canadian business community. We are extremely pleased that J. Trevor Eyton, OC, William W. Stinson, and Allan R. Taylor have joined our Board. These distinguished Canadians, with their breadth of

business experience, will bring sound professional advice and perspective to our management deliberations.

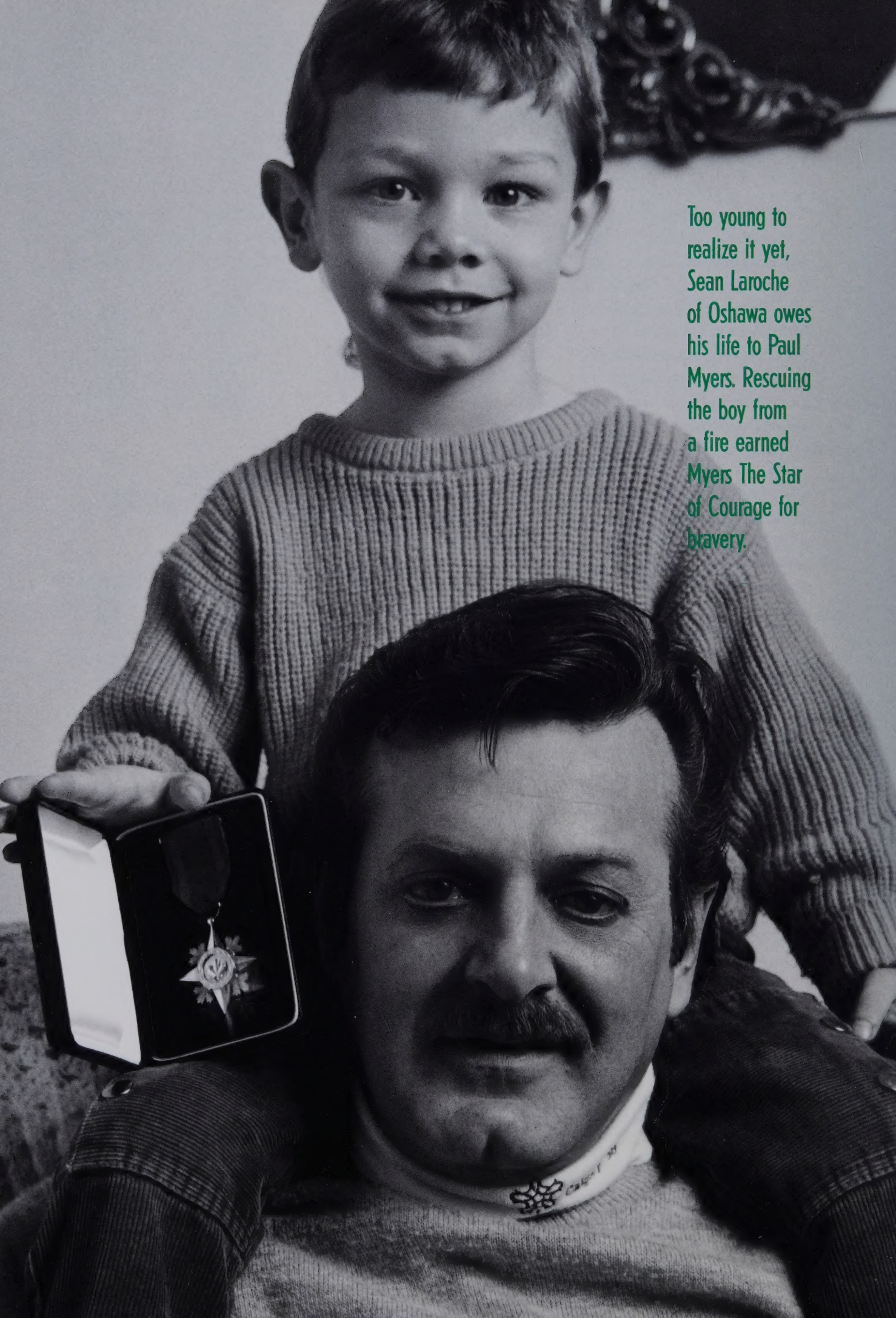
In this year of transition, we have made a special effort to strengthen and enhance the important role which people play in the life of the organization. We recognize very clearly that they are the key to our long-term future. Our 45,000 employees, along with our many business partners...dealers, suppliers, the Canadian Auto Workers and others...are the most important resource that we have. Our success as a company will depend directly on our continuing development as a customer driven organization, one which gives full support and respect to its people, and acts as an integrated team dedicated to continuous improvement. All of our endeavours must reflect unswerving commitment to our people and to the principle established long ago by Robert McLaughlin, and adopted by his son, our company's founder, Col. Sam McLaughlin: "One Grade Only, and That the Best."

It is the goal of GM of Canada to continue to be the leading

manufacturer and supplier of motor vehicles in Canada. We will accomplish this objective through exciting new products that meet and exceed our customers' expectations, and through the concerted actions of all of our people. This is the challenge of leadership.



George A. Peapples
President and General Manager



Too young to realize it yet, Sean Laroche of Oshawa owes his life to Paul Myers. Rescuing the boy from a fire earned Myers The Star of Courage for bravery.

Support and Respect for People

The first time Paul Myers ran into his Oshawa neighbour's burning house it was on pure instinct. "I had no time to think about it," he said later. The second time, however, it was heroism in every sense of the word.

There was a small boy in there, his life in danger, and Paul Myers — driven out of the house once already by choking smoke and searing heat — knew what he had to do.

"I just went in."

His disregard for his own safety in fighting his way up a flight of stairs to a bedroom where two-and-a-half-year-old Sean Laroche was trapped and the frantic return trip with his jacket wrapped around the youngster's head, earned him the lifetime gratitude of the Laroche family, the admiration of his fellow employees at General Motors of Canada — and the Star of Courage, one of Canada's highest awards for bravery.

Paul Myers will always treasure the medal and the thrill of receiving it from Governor General Jeanne Sauv  in Ottawa, but his most vivid memory will be that he was "in the right place at the right time," washing his car in front of his home, when he saw black smoke pouring out of a house up the street and heard a mother's cry for help.

And the greatest reward of all, says the soft-spoken operator in GM of Canada's Oshawa stamping plant, is to look out his window to see young Sean, very much alive, playing with his friends.

With a workforce of 45,000 men and women competing in a very challenging industry, we at GM of Canada understand clearly our responsibility to provide a working environment that will foster maximum use of the skills and talents of our people, and which will prepare us to compete effectively and responsibly as we enter the 1990's.

We have taken important steps to develop new methods of organizing work to increase the flexibility and productivity of our manufacturing operations to levels which are among the best in the industry. Automated guided vehicles have been installed in several of our facilities, and allow us to adopt a stop-and-go processing system, so that vehicles move from one work station to another only when our employees are satisfied that our quality standards — and theirs — have been met. This system also facilitates the introduction of natural work groups of six to twelve employees at each station, working together on a wider range of operations than before, thereby increasing job satisfaction, teamwork and quality.

To ensure that our people can be as productive as possible, we continued to make progress in 1987 in our ongoing training and

skills development programs. We are now in the midst of a five-year, \$250 million program which will give production personnel extensive background in techniques such as statistical process control, design of experiments, CAD/CAM, group dynamics and other skills which they will use to ensure that every car or component we make meets the highest quality standards in the business.

The year was also marked by agreement with the Canadian Auto Workers on an important new labour contract, significant not only because of its innovative provisions, but also because of its



A highly skilled and motivated workforce means greater job satisfaction for our people and higher quality for our customers.



The Honourable Gregory Sorbara, in presenting Ontario's Achievement in Employment Equity Medallion to GM of Canada and the CAW, noted that the award is made to "astute and farsighted organizations. They understand that employment equity is smart use of their most crucial asset - people. People are the key to productivity."

At General Motors of Canada, we couldn't agree more.

important benefits for the company's employees and the opportunities which it provides for us to continue to become more competitive.

We recognize that to be internationally competitive in the challenging years that lie ahead, we must ensure that all of our employees are able to bring the best of their skills and talents to the workplace. With this in mind, we take our responsibilities in the area of employment equity very seriously. We are especially proud that the Government of Ontario recognized General Motors of Canada in 1987 for its outstanding contributions to equality in the workplace when the Hon. Gregory Sorbara,

Ontario Minister Responsible for Women's Issues, awarded the "Achievement in Employment Equity Medallion" jointly to GM of Canada and the CAW.

Our commitment to leadership in Canadian industry is evident not only in our operations as a large and dynamic organization, but also in the personal initiatives undertaken by so many of our employees.

In 1987, 800 GM of Canada employees in all parts of Canada took advantage of the company's Tuition Refund Program, participating in community college and university programs in business, engineering,



A \$250 million training program is giving production personnel extensive backgrounding in a wide variety of advanced techniques.

science, economics and other fields. The skills our people gain in programs like these are put to use in real-life business situations, and at the same time enrich the lives of our employees and those around them. The company has also continued its ongoing program of strong support for educational institutions throughout the country.

GM of Canada's participation in United Way campaigns across Canada continues at a high level. With the active support and involvement of GM people throughout the country, the company and its employees were able to provide \$3.6 million to United Way agencies in 1987. We are also strong supporters of Junior Achievement in major cities throughout Canada, and sponsor many cultural activities, including ballet, live theatre and orchestras.

Our involvement as a corporation in the Canadian community is an important responsibility, but it cannot overshadow the enthusiastic participation of thousands of GM of Canada employees in the national and local organizations and activities which help make Canada great. As a recent extension of this belief, General Motors of Canada developed a



number of programs designed to build interest and a feeling of personal involvement in the XV Winter Olympics in Calgary. We were proud to be an official sponsor of the Games, and to have the opportunity to provide over 1,800 cars and trucks for use in Calgary and in the Torch Relay across Canada. It was even more gratifying to see the response of our people to the employee recognition program which we developed to spread throughout our organization the spirit of excellence which the Olympics have brought to Calgary and all of Canada. That same spirit will carry GM of Canada with confidence into the future.

Jim Hasiwar of Oshawa's Truck Assembly Centre with his winning entry in the employee recognition program "Olympic Poster Contest."



Jack Horrocks,
Paul Dunn
and
Dan Little at
Newfoundland's
historic
Signal Hill,
where the
Olympic Torch
Relay began
for them
and thousands
of runners,
spectators
and support
personnel last
November.

We are Customer Driven

The phrase "Let the Games Begin" would have particular significance for all Canadians in February, 1988, but for many General Motors of Canada employees the beginning came long before that.

As a sponsor of the XV Winter Olympics and official vehicle supplier to the Games and the Olympic Torch Relay, GM of Canada assumed responsibility for a variety of important tasks.

Jack Horrocks, St. John's, Newfoundland; Dan Little, Fredericton, New Brunswick and Paul Dunn, Moncton, New Brunswick, were just three of the hundreds of General Motors of Canada employees who stepped in, led by Olympic project manager Blair Upton.

The trio was asked to supervise the maintenance, care and repair in the Atlantic Provinces of the 25 GM of Canada vehicles assigned to daily service in the 88-day, 18,000 kilometre torch relay which would do so much to bring the spirit of the Olympic Games to everyone involved as participant or spectator.

Paul Dunn was lucky enough to be chosen to drive the first runner — 1948 figure skating champion Barbara Ann Scott — to the top of Signal Hill in St. John's the day the run officially began, and had a unique opportunity to see the torch run from the inside.

From then until the relay reached the Quebec border, where another GM team took over, Dunn and his colleagues often worked 15 hour days, sometimes getting up at 4 a.m. or getting to sleep at 3 a.m.

"It's hard to describe what it was really like to be a part of a once-in-a-lifetime event," Dunn recalls, adding that despite the fact they were very tired, "it would have taken little encouragement to get us to take it all the way to Calgary."

We live in an increasingly competitive world. Every day the consumer is bombarded with messages from every direction. For auto producers like GM of Canada the challenge is to cut through the clutter. Putting a top-quality product on the market is the best way to start. Follow that with superior after-sale service and a continuing dedication to customer satisfaction and it's possible to meet the challenge head on, and to emerge a winner. Today, buyers are far more discriminating in their car and truck purchases, and General Motors of Canada has responded by sharpening its focus on the customer.

It is now more important than ever that we test all of our products and business systems against the mission we have set for them: "Easy to Buy — A Pleasure to Own." Our commitment to customer satisfaction must start at the top if it is to be instilled effectively throughout the organization. At GM of Canada, this commitment is driving all parts of our business operations, from manufacturing, to marketing, to service and parts and accessories. But to convert that commitment into reality, we must listen to the voice of the customer as we never have before.

One important initiative which helps us to do that is the Customer Assistance Centre in Oshawa, which gives Canadians from coast to coast direct telephone access to expert GM personnel who can answer product inquiries, provide technical information or direct



Listening to the voice of the customer is a vital part of GM of Canada's plan to meet the competitive challenge and emerge a winner.



Anne Nurse

General Motors of Canada's new Passport International Automobiles division

has a responsive and innovative team which is working hard to develop and maintain a quality, customer-driven dealer network which will encourage loyal, satisfied car owners. Anne Nurse, of Whitby, Ontario, is one of Passport's first dealers and has an especially strong stake in the new organization's success.

"Introducing a new product and putting a new philosophy into practice continues to be a challenge. The solid relationship we have been able to develop with our clients has cultivated an environment where they can get complete satisfaction. It has been a rewarding year for all of us at Passport Oshawa/Whitby, and we anticipate a steady increase in our customer base this year".

With dealers like Anne Nurse on the team, Passport is sure of a bright future in the Canadian auto market.

customers to their nearest GM dealer for product service or other needs. At the same time, the Centre gives us an important window on the marketplace, through which we can obtain information that is relevant and real, day in and day out.

The GM of Canada National Dealer Council provides us with critical input about the needs of our customers and business partners. With the advice of Council members, we are able to respond quickly to changing market demands and business conditions. At the same time, the Council provides an invaluable forum for sharing information that will help all of us to work better together as an effective team.

Once the customer buys a GM product, our job is to ensure that it remains "a pleasure to own" for many years to come. To earn the customer's repeat business, it is essential that we and our dealers offer the finest product service operations in the industry. At GM of Canada, we are dedicated to achieving this goal.

To help our dealers to perform vehicle service as efficiently as possible, we have established a Technical Assistance Centre in Oshawa. Staff at the Centre serve

as trained consultants whom dealership service personnel anywhere in Canada can call for assistance when a difficult or unusual service operation is required on a customer's vehicle. GM representatives use sophisticated computer networks and other resources to research previous occurrences of similar service conditions, and offer on-the-spot expert advice. The Centre complements our ongoing training program for dealership service personnel, which keeps them abreast of current diagnostic and service techniques, and ensures that we have the most highly qualified



Chevrolet IROC-Z Camaros and Pontiac Firebird Trans Ams battled for supremacy in the \$420,000 1987 Player's Challenge Series for GM Cars in Eastern and Western Canada.


and skilled product service organization in the business.

In addition to developing new marketing initiatives and customer service programs, we have brought to the Canadian consumer many fine new products and a whole new distribution system to deliver them. In 1987 GM of Canada established Passport International Automobiles, an entirely new GM distribution system, and an initiative unique to Canada. Passport dealers target their products at the significant number of consumers who primarily consider imported vehicles. Passport is our first new dealer network in half a century, and offers Canadian consumers a growing range of exciting, high-quality vehicles from the family of GM affiliates around the world. Current products include the Trooper II sport utility vehicle and high performance I-Mark from Isuzu, and the Opel-designed subcompact Optima.

Initiatives like these are all designed to make sure that our vehicles are truly easy to buy and a pleasure to own. We have every confidence that with the continued creativity and dedication of our people, they will be.



A Canadian built best seller, the 1988, fullsize 1500 series GMC extended cab pickup truck.



Support from
her husband Clay
and budding
figure skating
champion,
daughter Trisha,
gave Sharon
Kirby of Oshawa
the added
incentive she
needed to earn
her Bachelor of
Arts degree.

Teamwork

It's not everyone who can say they have the job they always wanted, but senior customer service advisor Sharon Kirby is certainly one General Motors of Canada employee who won't be seeking a transfer.

"I like dealing with customers", says Sharon simply. So when the opportunity arose for her to apply to join GM of Canada's Customer Assistance Centre when it opened three years ago, she was quick to offer her name. By 1989 the Centre will run on a 24-hour basis, so that customers and dealers in all parts of Canada will be able to reach expert GM representatives like Sharon who have the information needed to answer product inquiries and facilitate service requirements.

"It's a very busy job," Sharon says, "but I don't mind that because people are really interesting. It's nice to be able to offer people guidance and to help them with their problems. They call in from all over the country, every call is different and I get quite a kick out of some of them".

Sharon's life away from the office is just about as busy. She not only has an 11-year-old daughter, Trisha, who has dreams of being a figure skating champion, she also has just successfully completed her Bachelor of Arts program under GM of Canada's Tuition Refund Program. She did it in five years instead of almost eight, by doubling up the courses, studying and going to school evenings, weekends and holidays, while husband Clay gave her full support.

What's next? "I might start work on a Master's degree," says Sharon.

The automotive industry today is truly a high stakes business. Competition is more intense than at any previous time in the industry's history. Vehicle manufacturers from every corner of the world are offering a wide range of top quality products aimed at the North American market. To retain our competitive edge, we at GM of Canada are determined to make maximum use of all of the skills which our own employees and our business partners offer. We know that we will succeed only if all of our people and business systems work together toward the achievement of our business goals, and for the benefit of the economy in which we are privileged to participate. The key to successful technological innovation, systems development and employee relations is teamwork.

The process of developing greater teamwork is visible in all parts of our organization, but perhaps nowhere so clearly as in our relationship with the Canadian Auto Workers. The CAW, as our major partner in building the future of GM of Canada, has a tremendous stake in our business. We are very gratified that the leadership, staff and plant representatives of the CAW have worked with the company so enthusiastically to develop new and innovative approaches to the challenges of today's marketplace.

There's the new agreement

and new spirit of cooperation at our car plant in Ste-Thérèse, Quebec. With the visionary leadership of the CAW at the national and local levels, we have worked together to reduce absenteeism, improve quality and increase productivity. Today Ste-Thérèse is building modern, high-quality vehicles, and we are now working on the next important steps for modernization of that facility.

There's the renewed sense of confidence at our Windsor trim plant, where improved working relationships and business practices have been developed with the CAW. A total system of



Many people combine to form the team which keeps General Motors of Canada at the forefront of the auto industry.

synchronous manufacturing has been implemented within the plant, and the results can be seen in dramatic improvements in quality, operating efficiency, safety and noise reduction, as well as in new business the plant has earned with GM assembly facilities and outside customers.

Expanding relationships with suppliers are also indicative of GM of Canada's dedication to cooperation. Over the past several years, we have continued to work closely with our suppliers in the design of our products and our production system. The GM of Canada Supplier Council, a dedicated group of key suppliers of goods and services, has been a focal point for input and advice on initiatives to increase quality, reduce costs, and improve customer orientation.

We have made significant progress in the effort to strengthen our relationships with suppliers through long-term, product life-cycle purchasing commitments. With the assurance of ongoing business, our suppliers are better positioned to develop more sophisticated engineering resources and technical skills, which can be applied to the continuous improvement of quality and cost. With these resources at their disposal, many Canadian suppliers have made valuable contributions to Product Development Teams — cross-functional, interdisciplinary

groups devoted to the goal of ensuring that every component used in our new products is world class right from the start of production.

We are proud of the accomplishments which we and our suppliers have made. They are an important part of what's happening at GM of Canada — people with good ideas, real spirit and a commitment to quality. In 1987 GM of Canada purchased billions of dollars worth of goods and services from some 8,000 suppliers in this country. We look forward to even stronger relationships with these fine business people in the years ahead.

These are but a few examples of the teamwork that can be seen and experienced at GM of Canada today. There are, of course, many people who form part of the team that will continue to keep GM of Canada at the forefront of the auto industry. People like each one of our 45,000 employees. Like our dealers, who deliver the finest automotive products and services available with true professionalism. Like our customers, who want not only great cars and trucks, but who also want to know that their purchasing dollars are working to benefit Canada.

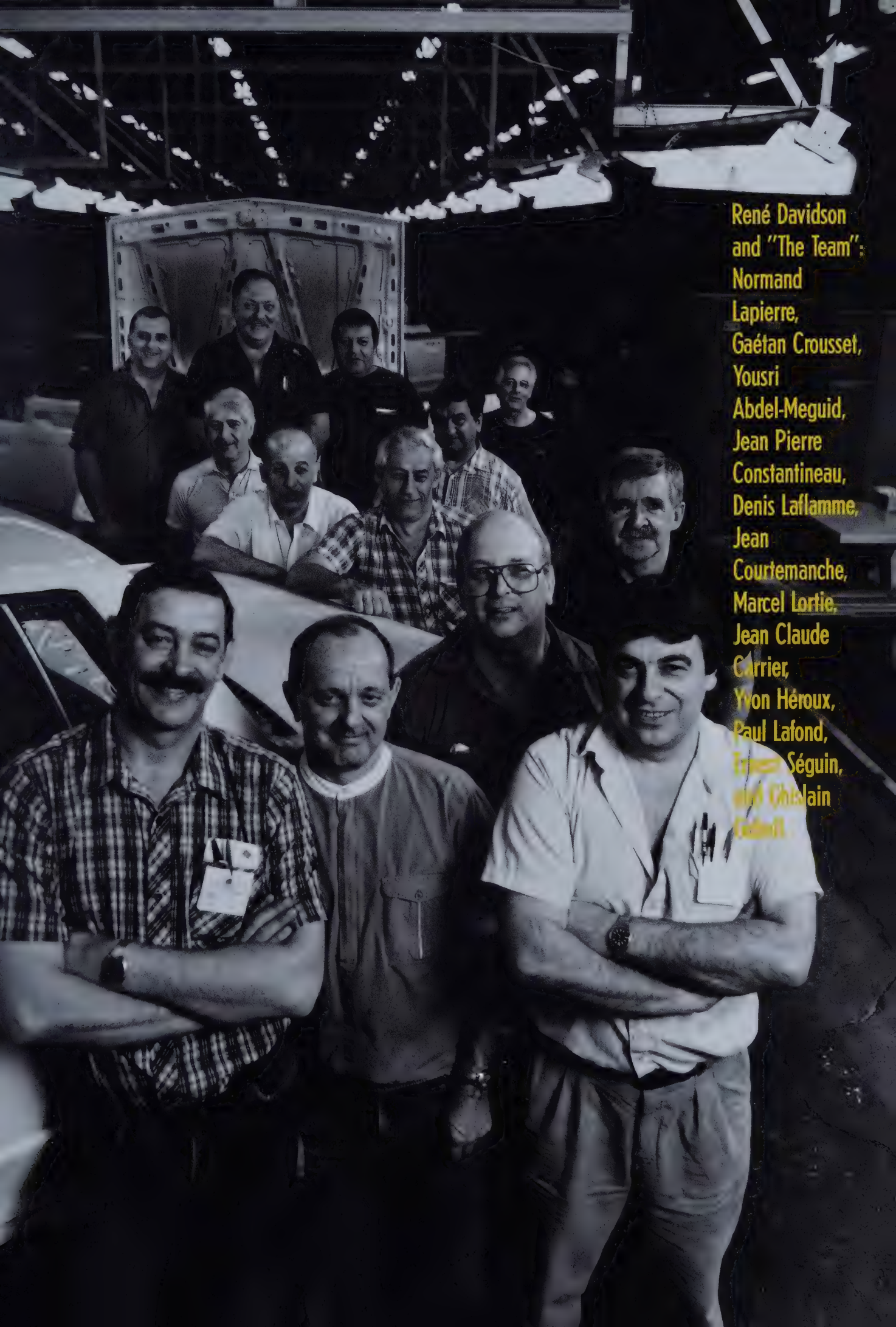
They are depending on us. And we are depending on them. Neither of us is going to let the other down.

René Davidson is a support technician in the Trim and Hardware Department at General Motors of Canada in Ste-Thérèse, Que., and if you want to know what it feels like to be given a standing ovation — in Mexico — for your on-the-job accomplishments, he is the one to ask. But you can be sure he will not take the credit himself. It goes to "the team" — a group of employees in two work units who, encountering continuing problems installing drip moulding, took the initiative in solving the problem.


It took time, but they were successful. So successful, in fact, that representatives from other "A" car assembly plants and other GM engineers, as well as auto parts designers, have been to Ste-Thérèse to get more details and to see the team in action.

The way René describes the situation, "It was initially very frustrating, because management wanted improved quality and we wanted to provide it, but we knew there had to be change. We just didn't know what. But they also gave us the chance to solve the problem, if we felt we had a way to do so."

There was trial and error and a large measure of persistence on the part of each team member. Within two months the problem was solved, "and it was all a matter of good teamwork," said Davidson. "We were invited to send representatives to GM's plant in Mexico to tell them how we did it", Davidson said, "and they must have been impressed, because we got a standing ovation".



René Davidson
and "The Team":
Normand
Lapierre,
Gaétan Crousset,
Yousri
Abdel-Meguid,
Jean Pierre
Constantineau,
Denis Laflamme,
Jean
Courtemanche,
Marcel Lortie,
Jean Claude
Carrier,
Yvon Héroux,
Paul Lafond,
Travis Séguin,
and Ghislain
Gauthier.

A black and white photograph of a man, Ernie Flonders, standing in a factory. He is wearing glasses, a light-colored button-down shirt, and a dark jacket. He is holding a circular mechanical component with both hands in front of him. The background shows industrial machinery and conveyor belts, slightly out of focus.

Kettering Award
winner Ernie
Flonders of
St. Catharines
with the
"Miracle Cutter."
Another example
of how General
Motors of
Canada's people
convert
challenge into
opportunity.

Continuous Improvement

Of all the awards available to employees of General Motors, the "Boss" Kettering Award has been the most coveted — and one of the most elusive. Since 1976, when the awards were instituted in memory of former GM Corporation head of research Charles F. Kettering, there had been no Canadians among the more than 100 winners — until 1987. Ernest Flonders, a tooling analyst in Tool Control Engineering at General Motors of Canada's Engine Plant in St. Catharines, Ont., and general supervisor Stanley Wiacek became the first, receiving substantial cash awards along with the honour.

As Flonders recounts it, there was a frustrating problem with a milling cutter on a piece of new machinery that resisted all conventional efforts, techniques and equipment to solve it.

"The challenge was how to develop the equipment that would work," Flonders said. "We studied it. We made tests, we kept trying as many things and as many ways as possible. "We just didn't quit, I can tell you. There were lots of problems. It was no easy task. It took perseverance."

It paid off. The "Multi-Step High Density Milling Cutter" qualified under the strict requirements for entry in the annual "Boss" Kettering Award competition as an invention superior in originality and creativity that has identifiable and substantial benefit to the company. The "Miracle Cutter" qualified, spectacularly, on all counts!

There is a great deal going on at GM of Canada today. We have outstanding people working together to satisfy customers who are becoming more discerning and more discriminating in their automotive purchase decisions. To be truly successful, it is critical that we establish systems throughout every part of our business to ensure that what we do today we will do better tomorrow. Our task is to make systematic, relentless, continuous improvements in our products and in the things we do to provide them to our customers. Nothing less will do.

The centrepiece of our manufacturing strategy for the future is the development of GM Autoplex. Autoplex represents the fulfillment of our commitment to create an internationally competitive automotive complex in Canada, using to the fullest extent the skills of our talented people and the many advantages which Canada offers. When all three of our Oshawa assembly facilities have been modernized and are operating at capacity in 1990, GM Autoplex will be the largest automotive manufacturing complex in North America, and one of the most modern in the world.



Automated guided vehicles bring truck bodies and chassis together at the "marriage station" in the Oshawa Truck Assembly Centre. This stop-and-go processing

system offers far greater flexibility than more conventional methods, promoting higher product quality.

W

hen people at GM of Canada think about top-quality Canadian suppliers,

they think of people like Dick Court, President of Court Valve Company Inc., in Beamsville, Ontario.

Court Valve manufactures precision, close tolerance transmission valves and other hi-technology components for delivery to GM of Canada's Windsor transmission plant and to GM facilities in the U.S.

Dick's company was the first supplier in Canada to meet the rigorous requirements for the highest rating in GM of Canada's Supplier Performance Evaluation And Reporting system. That was in 1983. Since then, Court Valve has delivered more than 70 million parts to GM of Canada – with no significant defects.

As Dick Court says, "To get top quality, you need the right systems and equipment all right, but it's even more important to have the right attitude – on the plant floor and in management. We're very fortunate and proud to have that in our company."

Court Valve is an integral part of GM of Canada's drive for continuous improvement. With the kind of attitude Dick and his people have, greater customer satisfaction isn't just around the corner – it's already here.



Dick Court

Autoplex is not just a vast new production facility. It is the hub of an integrated, synchronous manufacturing system that encompasses GM of Canada's own vehicle assembly and component manufacturing operations, and those of thousands of outside suppliers in all regions of Canada. Autoplex is the key element in an overall investment program which includes more than \$8 billion in capital expenditures and forward commitments in Canada for the 1980's. These investments are being supported by hundreds of millions of dollars in additional investment by Canadian suppliers.

This massive manufacturing system, spanning the Windsor to Montreal corridor, is helping to build a long-term, advanced economic infrastructure which will position Canada to compete

successfully as a major industrial nation into the twenty-first century.

One of the key features of Autoplex, far more significant than the size of the investment or the sophistication of the technology involved, is the new method of organizing production which Autoplex has made possible. With automated guided vehicles, stop-and-go processing and natural work groups, our employees can assume greater responsibility for quality, and take on a true "systems implementation" role in the plant. They are now much better positioned to contribute suggestions for significant improvement in the assembly process, and we can make improvements quickly and effectively, without disrupting the flow of production or making additional major investments in new systems and equipment.

Of course, the best ideas come from informed, knowledgeable people. GM of Canada's extensive training programs are designed to help our people do their jobs better every day, and to provide them with the analytical skills they need to make our production systems function more effectively in the

future. To bring these activities together, General Motors of Canada has established, with the University of Waterloo, a Resource Centre for the Improvement of Quality and Productivity. This facility, located in Oshawa and linked to some of the finest professionals in the field in Canada, has shown its worth already. We look forward to capitalizing further on this unique opportunity for real-world interchange with the leaders of Canada's engineering and academic communities and to sharing this resource with our Canadian suppliers.

GM's dedication to continuous improvement is also evident in the newly restructured President's Quality Council, which has been expanded to help focus the attention of senior management on a continuing basis on the quality improvement process. In 1987 supplier and dealer representatives joined senior members of the President's staff on the Council, and it was also agreed that a senior representative of the Canadian Auto Workers' Union would join the Council. This important commitment by the CAW is a first in the industry in Canada, and a development in which we take special pride.

It is only by taking steps like these that we can meet the

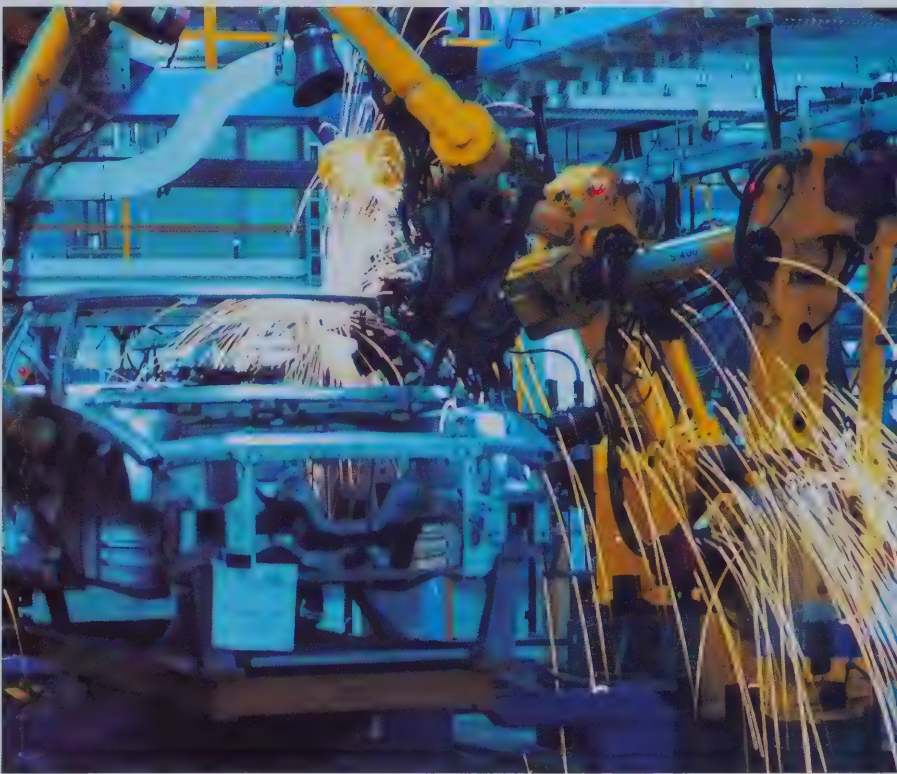
tremendous challenges of the auto industry over the next decade. Technological advances and other changes in the business environment are taking place at an increasing pace, and we have to keep abreast of them. We are confident that the initiatives described in this Report will help us to do just that.

We believe that GM of Canada is a great company, with great people and a great future. That future can be seen in the outstanding quality of fine motor vehicles like the Buick Regal and our new pickup trucks, and in the exciting breakthroughs in teamwork and technology which



Top quality components help to ensure top quality cars and trucks.

GM Autoplex is one of the most modern, technologically advanced automotive facilities in the world, and an important part of Canada's industrial infrastructure.





*"One Grade Only....
and That The Best."*

*GM of Canada is a great
company, with great people and
a great future.*

our people are achieving throughout our organization.

With tremendous advances like GM Autoplex coming on stream now, the future for General Motors of Canada looks very bright indeed. But what makes us look forward to that future with even greater confidence, is the knowledge that our employees, working together with vision and spirit, are dedicated to making sure that we at GM of Canada are better at what we do than any other automotive manufacturer anywhere in the world.



"It was just an idea," Bob Aaltonen said, "and we thought it worked out pretty well."

The idea was to form a focus group of established and new customers at GSL Chevrolet/Oldsmobile/Cadillac in Calgary, to invite them into the dealership for an evening and to explore the topic of service for their automobiles.

Aaltonen, a member of the staff in GM's Calgary zone sales office, discussed the idea with Bob Wolfe, GSL dealer principal, who thought it was an excellent plan and assigned his assistant service manager, Jane Bryson, to work on it with Bob.

"A number of customers came in — some of them new, some of them regulars — but all had bought new cars recently," Aaltonen said. "We walked them through the whole process: service warranties, what they could expect, what we did and what we didn't do, that sort of thing."

"We learned a lot about what they thought and the dealership incorporated several suggestions. It was interesting to the customer and informative to me as a General Motors of Canada sales representative. It's certainly the kind of thing I would do again," he said.

"The one thing we heard most often was that they were looking for the personal touch. They wanted to feel that we really cared about them and their cars and their problems," Bryson said.

"They wanted us to listen to them. Isn't that what we all want?"



For Bob Aaltonen and Jane Bryson, a Calgary focus group confirmed that the personal touch is still a major factor in attracting, satisfying and retaining customers for GM of Canada.

LT-SIZE
PICKUPS

Our Business Partners

The development of GM of Canada's strategies for the future is a team effort. Our key management decision-making processes are implemented with full involvement by our dealers, suppliers and the Canadian Auto Workers. Three of the key groups which assist us in improving our quality levels, cost performance and our responsiveness to customer needs are the National Dealer Council, Supplier Council, and President's Quality Council. Their members are listed below. We thank them for their ongoing support.

National Dealer Council

- MICHAEL O. CARMICHAEL
*Royal Pontiac Buick
Cadillac Ltd.
West Vancouver, B.C.*
- F. JACK JENNER
*Jenner Chevrolet-
Oldsmobile Ltd.
Victoria, B.C.*
- FRED W. GIBSON
*Stedelbauer Chevrolet-
Oldsmobile (1975) Ltd.
Edmonton, Alberta*
- O. BRUCE HARRIS
*Harris Chevrolet-
Oldsmobile Ltd.
Selkirk, Manitoba*
- BRUCE D. AXELSON
*Cheyenne Chevrolet-
Oldsmobile Ltd.
Melfort, Saskatchewan*

- GORD GROSZ
*Harriston Motors Limited
Harriston, Ontario*
- HERB STEIN
*Plaza Pontiac Buick Limited
Toronto, Ontario*
- GERRY A. GAZAREK
*Sheridan Chevrolet
Oldsmobile Cadillac Ltd.
Pickering, Ontario*
- HANK S. MEWS
*Myers Chevrolet-Oldsmobile-
Cadillac Inc.
Ottawa, Ontario*
- J. DEREK KNOWLES
*Harland Pontiac Buick Inc.
Dorval, Quebec*
- JEAN-CLAUDE GRAVEL
*Rodrigue Lasnier
Automobile (1983) Inc.
Saint-Jean, Quebec*
- CLAUDE TAILLEFER
*Rond-Point Pontiac
Buick Inc.
Levis, Quebec*
- BRUCE R. BRETT
*Brett Pontiac Buick
GMC Limited
Halifax, Nova Scotia*
- J. PAUL SULLIVAN
*Assistant General
Manager of Sales
GM of Canada*

Supplier Council

- TONY REA
*Rea Tools & Tubing Ltd.
Mississauga, Ontario*
- RAY E. BAUER, JR.
*Bauer Industries Ltd.
Waterloo, Ontario*
- NORMAND CARPENTIER
*Camoplast Inc.
Kingsbury, Quebec*
- ROGER THOMAS
*Henkel Canada Ltd.
Rexdale, Ontario*
- FRANK REEVES
*Rayco (Canada) Limited
Weston, Ontario*
- DAVE COLCLEUGH
*Dupont Canada Inc.
Mississauga, Ontario*
- ROLAND C. JAMES
*Excell Metalcraft Ltd.
Aurora, Ontario*
- CHARLES G. THORPE
*Goodyear Canada Inc.
Islington, Ontario*

- DONALD O. REMTER
*Kelsey-Hayes Canada Ltd.
Windsor, Ontario*
- JAKE J. KOK
*Mastico Industries Ltd.
Tillsonburg, Ontario*
- GEORGE F. PATARACCHIA
*Stackpole Limited
Toronto, Ontario*
- MAXWELL W. SCHOLZ
*Van Dresser Limited
Waterloo, Ontario*
- REINHART WEBER
*Weber, Tool and Mold
Penetanguishene, Ontario*
- NEILL ELLIOT
*Ajax Precision Mfg. Co. Ltd.
Weston, Ontario*
- GIL R. MACKIE
*CP Rail
Toronto, Ontario*
- DICK F.G. BAKER
*Canada Transport Group
Belleville, Ontario*
- BOB WEIR
*Cold Metal Products
Hamilton, Ontario*
- WILLIAM H. MULVENEY
*Dofasco Inc.
Hamilton, Ontario*
- MICHAEL G. WEEDON
*Epton Industries
Kitchener, Ontario*
- HEINZ KLEINHENZ
*FAG Bearings Ltd.
Stratford, Ontario*
- RALPH G. WEBBE
*Jutras Die Casting Limited
Agincourt, Ontario*
- FRANK T. BURNSIDE
*Manchester Plastics Limited
Gananoque, Ontario*
- MICHAEL W. BERTHIAUME
*Solus Mfg. and Sales
Wallaceburg, Ontario*
- BOB M. VARGA
*TRW Vehicle Safety
Systems Div.
Midland, Ontario*
- BOB CALDER
*Woodbridge Inc.
St. Jerome, Quebec*

President's Quality Council

- GEORGE A. PEAPPLES
*President and
General Manager
GM of Canada*
- WILLIAM J. ATKINSON
*Vice President,
Sales-Service-Marketing
GM of Canada*
- DONALD T. BLIGHT
*Vice President and
Director of Operations
GM of Canada*
- CARLISLE R. DAVIS
*Group Director of Quality
C-P-C Canada Group
Rolet General Motors
Corporation*
- HANK S. MEWS
*Myers Chevrolet-Oldsmobile-
Cadillac Inc.
Ottawa, Ontario*
- BOB NICKERSON
*Nat. Secretary-Treasurer
Canadian Auto Workers
Toronto, Ontario*
- J. TED ROBERTSON
*Director of Engineering
GM of Canada*
- G. RICHARD WAGONER, JR.
*Vice President and
Finance Manager
GM of Canada*
- PETER C. BAGNALL
*General Director
Customer Services
GM of Canada*
- FREDERICK R. CURD, JR.
*Vice President and General
Director of Personnel
GM of Canada*
- GERALD A. GAZAREK
*Sheridan Chevrolet
Oldsmobile Cadillac Ltd.
Pickering, Ontario*
- WILLIAM H. MULVENEY
*Vice President Sales
Dofasco Inc.
Hamilton, Ontario*
- JOHN E. URBANIC
*Director of Materials
Management &
Component Operations
GM of Canada*
- DONALD L. WILLEN
*Director Canadian Service
Parts Operations
GM of Canada*

HIGHLIGHTS

(millions of dollars)

	1987	1986	1985	1984	1983
Net sales	\$16,884.4	\$18,532.6	\$18,993.3	\$16,297.7	\$13,805.4
Net income	\$ 5.1	\$ 418.4	\$ 713.0	\$ 880.8	\$ 675.6
Net income percent of sales	—	2.3%	3.8%	5.4%	4.9%
Taxes	188.1	489.6	674.6	745.8	547.5
Total capital expenditures ...	928.5	1,318.3	674.4	267.5	342.1
Expenditures for plant and equipment	581.9	838.9	541.0	184.8	155.0
Expenditures for special tools	346.6	479.4	133.4	82.7	187.1
Payrolls	1,599.6	1,642.3	1,685.5	1,457.8	1,269.8
On-roll employment	44,749	45,994	48,106	45,391	43,410

UNIT SALES

	1987	1986	1985	1984	1983
Manufactured in Canada					
Passenger Cars	339,438	531,602	562,083	548,895	538,700
Trucks and Coaches	237,984	192,072	279,363	276,704	263,079
Total Factory Sales	577,422	723,674	841,446	825,599	801,779
Imported Vehicles	405,130	416,407	391,415	326,200	288,174
Total Unit Sales	982,552	1,140,081	1,232,861	1,151,799	1,089,953
Unit Sales by Area					
Canada	534,901	585,547	575,136	477,084	431,342
United States	443,391	548,904	647,108	653,494	640,005
Other Countries	4,260	5,630	10,617	21,221	18,606

BALANCE SHEET

December 31, 1987
with comparative figures for 1986
(thousands of dollars)

ASSETS	1987	1986
Current Assets:		
Cash	\$ 1,766	\$ 2,786
Accounts and notes receivable:		
Trade — affiliated companies	39,815	189,213
— other	198,611	165,577
Taxes and sundry	644,624	30,208
Inventories	1,033,111	995,745
Prepaid expenses	36,027	56,346
Deferred income taxes	117,669	122,772
Total current assets	2,071,623	1,562,647
Property:		
Real estate, plants and equipment (Note 3)	4,462,024	3,994,963
Less accumulated depreciation	1,736,888	1,583,206
Net real estate, plants and equipment	2,725,136	2,411,757
Special tools — less amortization	650,453	450,638
Net property	3,375,589	2,862,395
Long-term Investments	149,762	71,529
Other Assets	319,540	212,794
Total	\$5,916,514	\$4,709,365

Reference should be made to the Notes to Financial Statements.

Approved by the Board:

Director

Director

LIABILITIES	1987	1986
Current Liabilities:		
Bank loans and cheques in transit	\$ 299,545	\$ 312,254
Accounts payable:		
Trade — affiliated companies	286,367	57,687
Other trade and sundry	498,707	449,064
Income and other taxes payable	85,171	197,840
Other accrued liabilities	629,763	627,304
Total current liabilities	1,799,553	1,644,149
Long-term Debt (Note 4)	422,635	100,000
Deferred Income Taxes	809,046	222,478
Other Liabilities	448,085	310,613
Shareholder's Equity		
Share capital without par value:		
Authorized:		
An unlimited number of common shares		
Issued:		
703,250 shares	70,325	70,325
Contributed surplus	36,325	36,325
Net income retained for use in the business	2,330,545	2,325,475
Total shareholder's equity	2,437,195	2,432,125
Total	\$5,916,514	\$4,709,365

**STATEMENT OF INCOME AND NET INCOME
RETAINED FOR USE IN THE BUSINESS**

*Year ended December 31, 1987
with comparative figures for 1986
(thousands of dollars)*

	1987	1986
Net Sales	\$16,884,371	\$18,532,562
Costs and expenses:		
Cost of sales and other operating charges, exclusive of items listed below	16,089,307	17,145,408
Selling, general and administrative expenses	345,215	338,264
Depreciation of plants and equipment (Note 1)	240,499	239,183
Amortization of special tools (Note 1)	146,779	90,555
Total	16,821,800	17,813,410
Operating income	62,571	719,152
Other income less income deductions	18,443	55,245
Interest expense:		
Interest on capital leases	123	927
Interest on long-term debt	12,533	384
Other interest	11,846	5,126
Total	24,502	6,437
Income before taxes	56,512	767,960
Income and withholding taxes	51,442	349,545
Net income for the year	5,070	418,415
Net income retained for use in the business at beginning of the year	2,325,475	2,156,489
	2,330,545	2,574,904
Dividends paid	—	249,429
Net income retained for use in the business at end of the year	\$ 2,330,545	\$ 2,325,475

Reference should be made to the Notes to Financial Statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1987
with comparative figures for 1986
(thousands of dollars)

	1987	1986
Operating Activities		
From operations		
Net Income	\$ 5,070	\$ 418,415
Depreciation of plants and equipment	240,499	239,183
Amortization of special tools	146,779	90,555
Deferred income taxes	586,568	(190,291)
Loss on disposal of property	10,732	7,825
Equity in earnings (1986 — loss) of associated companies	(5,651)	20
Working capital provided from operations	983,997	565,707
Net change in non-cash operating working capital items	(330,975)	379,338
Cash provided by operating activities	653,022	945,045
Dividends paid	—	249,429
Cash available for investment	653,022	695,616
Investing Activities		
Expenditure for real estate, plants and equipment	581,881	838,875
Expenditure for special tools	346,595	479,387
Proceeds on disposal of property	(17,271)	(5,001)
Long-term investments	72,582	71,529
Cash used on investing activities	983,787	1,384,790
Financing Activities		
Increase in long-term debt	322,635	100,000
Other	19,819	—
Contributed surplus	—	33,113
Cash provided by financing activities	342,454	133,113
Increase (decrease) in cash and cash equivalents	11,689	(556,061)
Cash and cash equivalents at beginning of year	(309,468)	246,593
Cash and cash equivalents at end of year	\$ (297,779)	\$ (309,468)
Cash and Cash Equivalents		
Cash	\$ 1,766	\$ 2,786
Bank loans and cheques in transit	(299,545)	(312,254)
	\$ (297,779)	\$ (309,468)

Reference should be made to the Notes to Financial Statements.

Auditor's Report

To the Shareholder of General Motors of Canada Limited:

We have examined the balance sheet of General Motors of Canada Limited as at December 31, 1987 and the statements of income and net income retained for use in the business and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for pension costs, obligations and assets as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.



Chartered Accountants

January 22, 1988

Notes to Financial Statements

December 31, 1987

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Transactions in Foreign Currencies:

Transactions in foreign currencies have been stated in Canadian currency at the average rate of exchange for the months in which they occurred. Assets and liabilities which are to be settled in foreign currencies have been stated in Canadian currency at the rates of exchange in effect at the balance sheet date. Forward exchange contracts, except specific hedges of future commitments, are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Premiums and discounts on such contracts are amortized over the lives of the respective contracts. Gains and losses on translation of foreign currencies are included in other income.

Income Taxes:

Income taxes are accounted for using the tax-allocation basis, under which income taxes are provided for in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes. The resulting timing differences giving rise to deferred income taxes relate primarily to claiming capital cost allowance for income tax purposes in excess of depreciation of plants and equipment and amortization of special tooling expenditures charged in the financial statements, and to recording warranty expense in the financial statements in excess of that claimed for income tax purposes. Investment tax credits which arise principally from the company making certain capital expenditures as prescribed in the Income Tax Act, are deferred and amortized over the lives of the related assets.

Inventories:

Inventories are stated at the lower of cost and market value. Cost is determined substantially by the first-in, first-out or the average-cost method. Market value is calculated as current sales price less distribution cost for finished products and as replacement cost for other inventories.

Property, Depreciation and Amortization:

Property is stated at cost. Depreciation is provided based on estimated useful lives of groups of property generally using accelerated methods which accumulate depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated useful lives. Effective January 1, 1987, the company revised the estimated service lives of its plant, equipment and special tools. These revisions, which were based on 1987 studies of actual useful lives and periods of use, recognized current estimates of service lives of the assets and had the effect of reducing 1987 depreciation and amortization charges by \$297 million. The annual group rates of depreciation are as follows:

Notes to Financial Statements

December 31, 1987

CLASSIFICATION OF PROPERTY	ANNUAL GROUP RATES
Land improvements	1½ % to 5 %
Buildings	1¼ % to 3¼ %
Machinery and equipment	1¾ % to 15 %
Furniture and office equipment	3¼ % to 18¼ %

Expenditures for special tools are amortized over their estimated useful lives. Amortization is applied directly to the asset account. Replacement of special tools for reasons other than changes in products is charged to cost of sales.

Long-Term Investments:

The company accounts for its investments in dealership companies, which are temporary in nature, and corporate joint ventures, on the equity basis of accounting. Equity earnings of \$5,651,000 (1986 — \$20,000 loss) are included in other income.

Pensions:

The company participates with affiliated Canadian companies in pension plans covering substantially all of its employees. The plans provide pensions calculated in terms of each participant's length of service, wages and salaries, and, where applicable, contributions. Net pension costs for the period consist of the following:

- the cost of pension benefits provided in exchange for employee's services rendered in the period, determined using the projected benefit method pro-rated on services;
- gains or losses on plan settlement, partial settlement or curtailment;
- assumed interest on the actuarial present value of accrued pension benefits less assumed earnings on pension fund assets; and
- amounts which represent the amortization, on the straight line basis, over the expected average remaining life of the employee group of:
 - adjustments arising from plan initiation or amendment
 - adjustments arising from changes in actuarial assumptions
 - experience gains or losses in the plan
 - net pension surplus on adoption of these policies.

Product-Related Expenses:

Expenditures for research and development and for advertising and sales promotion are charged to costs and expenses when incurred. Provisions for estimated costs related to product warranty are made at the time the products are sold.

Note 2. CHANGE IN ACCOUNTING POLICY

Effective January 1, 1987, the company adopted, prospectively, the revised recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for and disclosure of pension costs, obligations and assets (Note 1).

As a result of this change, income before taxes increased by \$76,738,000, deferred taxes increased by \$33,128,000 and the Pension Assets, included in Other Assets, increased by \$76,738,000.

Note 3. REAL ESTATE, PLANTS AND EQUIPMENT

(thousands of dollars)

	1987	1986
Land, buildings and improvements	\$1,259,702	\$1,137,540
Machinery, equipment and furniture	2,853,970	2,403,072
Construction in progress	348,352	454,351
Total	\$4,462,024	\$3,994,963

Notes to Financial Statements

December 31, 1987

Note 4. LONG-TERM DEBT

(thousands of dollars)

	1987	1986
Notes payable; due December 16, 1991	\$100,000	\$100,000
Notes payable; due June 29, 1992 (Swiss Francs 120,000,000)	102,635	—
Loans; due April 1, 2017	220,000	—
Total	\$422,635	\$100,000

The fixed interest rate obligations on both notes payable were swapped into floating interest rate obligations, based on the average 30 day Bankers' Acceptance rate of the five major Canadian banks, less a specified discount.

In the case of the Swiss franc notes, the company entered into a currency/interest rate swap agreement fixing the principal at \$102,635,000.

The loans for \$220,000,000 are interest free government loans. They provide for early partial repayment and the payment of interest in the event that the company does not meet certain operating and spending commitments.

Note 5. PENSIONS

Actuarial reports prepared during the year for the pension plans of the company and its affiliated Canadian companies, indicate that the present value of their current pension benefits attributed to services rendered to December 1, 1987 and the net assets, at market value, available to provide for these benefits are as follows:

Pension plan assets	\$1,925,138,000
Accrued pension benefits	\$1,811,915,000

The company's employees represent approximately 97% of the total number of employees in the plans.

The net pension credit for the year is \$50,725,200.

Note 6. RELATED PARTY TRANSACTIONS

The company is a subsidiary of General Motors Corporation and participates with affiliated companies in the design, manufacture, assembly and distribution of products which relate to transportation equipment, consisting principally of passenger cars, trucks, coaches and locomotives as well as parts and accessories.

It has been the practice for a number of years to obtain at cost certain types of services from affiliates.

In return, the company provides services at cost to affiliates.

Significant related party transactions with parent and affiliated companies, not otherwise disclosed in the financial statements, are as follows:

- (a) Net sales includes sales to parent and affiliated companies of \$9,262 million in 1987 and \$10,913 million in 1986.
- (b) Approximately 65% of total costs and expenses in 1987 arise from business transactions with parent and affiliated companies.

Note 7. CAPITAL COMMITMENTS

Capital expenditures committed but not expended at December 31, 1987 amount to approximately \$466 million (1986 — \$633 million).

Note 8. CONTINGENT LIABILITY

There are various claims and pending actions against the company with respect to product liability, warranties and other matters arising out of the conduct of the business. Although the amounts of liability on these claims and actions at December 31, 1987 were not determinable, in the opinion of management, the ultimate resulting liability will not materially affect the financial position or results of operations of the company.

Note 9. PRIOR YEAR'S FIGURES

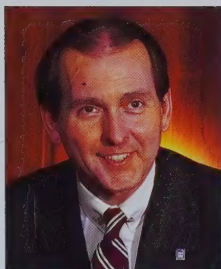
Certain of the prior year's figures, presented for purposes of comparison, have been reclassified to conform to the current year's presentation.

Board of Directors

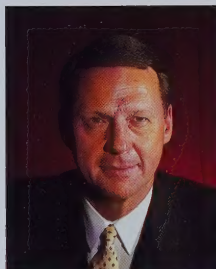
In 1987, GM of Canada restructured its Board of Directors significantly.

On April 1, Donald T. Blight, previously Director of Materials Management, was appointed Vice-President and Director of Operations and elected to the Board. In May, we were pleased to announce the addition to the Board of three outstanding Canadian business leaders. They are: J. Trevor Eytton, OC, President and Chief Executive Officer of Brascan Limited; William W. Stinson, President and Chief Executive Officer of Canadian Pacific Limited; and Allan R. Taylor, Chairman and Chief Executive Officer of The Royal Bank of Canada. In July, William J. Atkinson joined the Board upon his appointment as Vice-President Sales-Service-Marketing, succeeding Dugald G. Stirling who retired after 28 years of dedicated service with GM of Canada.

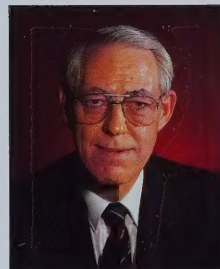
With regret, we must report the death August 28 of A. Grant Warner, 60, who had been appointed General Manager of GM Corporation's Electro-Motive Division in April after serving as GM of Canada's Vice-President and General Manufacturing Manager since 1981. Mr. Warner's long and successful career in many parts of the GM organization was a great credit to himself and his family. His advice and counsel will be sorely missed by all of us at General Motors of Canada.



GEORGE A. PEAPPLES
President &
General Manager



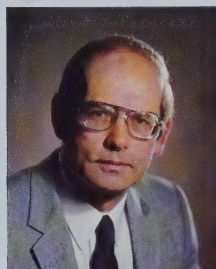
WILLIAM J. ATKINSON
Vice-President
Sales-Service-Marketing



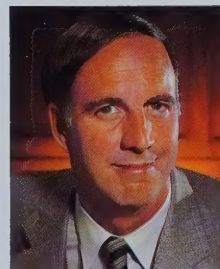
DONALD T. BLIGHT
Vice-President and
Director of Operations



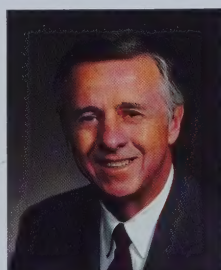
RICHARD M. COLCOMB
Formerly -
Vice-President and
General Sales Manager,
GM of Canada



J. TREVOR EYTON, OC,
President and C.E.O.,
Brascan Ltd.



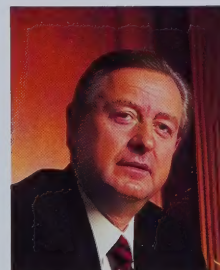
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